

CITY COUNCIL

Committee of the Whole

Tuesday, May 29, 2012

Council Office

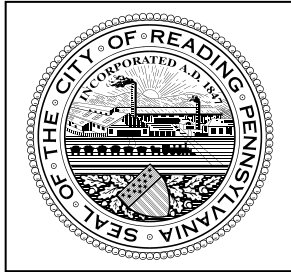
5:00 pm

Agenda

Although Council committee meetings are open to the public, public comment is not permitted at Council Committee of the Whole meetings. However, citizens are encouraged to attend and observe the meetings. Comment from citizens or professionals during the meeting may be solicited on agenda topics via invitation by the President of Council.

All electronic recording devices must be located behind the podium area in Council Chambers and located at the entry door in all other meeting rooms and offices, as per Bill No.27-2012

- I. Reading Phillies Loan Refinancing**
- II. RAWA Lease Agreement**
- IV. Tax Amnesty Program Ordinance Review**
- V. Agenda Review**



COMMITTEE of the WHOLE

CITY COUNCIL

MINUTES
May 14, 2012
5:00 P.M.

COUNCIL MEMBERS PRESENT:

M. Goodman-Hinnershitz, D. Sterner, D. Reed, R. Corcoran, S. Marmarou, J. Waltman, F. Acosta

OTHERS PRESENT:

L. Kelleher, S. Katzenmoyer, L. Murin, M. Torres, D. Cituk, C. Younger, V. Spencer, D. Kersley

Council Vice President Goodman-Hinnershitz called the Committee of the Whole meeting to order at 5:07 p.m.

I. Tax Amnesty Program

Mr. Kersley stated that the Tax Amnesty ordinance for the Business Privilege Tax and Per Capita Tax program is being introduced this evening. He reviewed a handout describing this program which will run June 18 through August 17 with a goal of raising \$260,000. The program will require the City to hire three temporary employees in the Citizens Service Center for processing.

Mr. Kersley acknowledged his thanks to Ms. Kelleher and Mr. Lachat for their work writing the legislation. He noted that the revenue goal is arbitrary as the City cannot determine the outstanding amount. He stated that he has been working to cross reference Business Privilege Licenses, Per Capita Taxes and investment property owners and contractors. He stated that he will also be reviewing properties zoned for

business uses that do not have Business Privilege Licenses or pay Business Privilege Tax. He stated that this is a priority.

Mr. Marmarou stated that in the past he noted that those living in high rises throughout the City do not pay Per Capita Tax. He stated that those living in rental units should also pay Per Capita Tax. Mr. Kersley stated that the first focus will be on Business Privilege Tax.

Ms. Kelleher stated that Per Capita is also included in the first program. Mr. Kersley stated that tenant lists must be submitted by investment property owners and that these lists will be entered into the data system for billing of Per Capita Tax.

Mr. Marmarou questioned what would happen if investment property owners do not submit the tenant lists. Mr. Kersley stated that housing permits would not be issued and the property placarded.

Mr. Marmarou stated that Albright College does not share the location of off-campus housing but knows where students live. He stated that these students keep their campus mailbox to avoid detection by the City.

Ms. Goodman-Hinnershitz questioned if Albright was allowed to divulge the residence of students. Ms. Kelleher stated that under FERPA this information cannot be used for tax purposes but can be used for public safety purposes.

Ms. Goodman-Hinnershitz noted that the City's database has been updated and the City can now better pursue those not contributing their fair share.

Mr. Waltman questioned if the \$260,000 was a gross or net estimate. Mr. Kersley stated that it was a gross estimate and that the costs would be paid from the income generated.

Mr. Waltman questioned the time frame for the amnesty program. Mr. Kersley stated that the City would collect as far back as they are able.

Mr. Waltman noted his concern of entering this program blindly. He questioned what would cause people to continue paying their taxes after the program has concluded. He stated that people are motivated by large threats and follow through. Mr. Kersley stated that the City knows the investment property owners and contractors and will pursue them if they do not come forward.

Mr. Waltman requested the penalties. Mr. Kersley stated that permits will not be issued.

Mr. Marmarou noted that those living in units owned and operated by the Housing Authority are also not paying their Per Capita Tax.

Ms. Reed noted the need for the City to get the highest rate of return on the program. Mr. Waltman stated that these two items have the potential to generate millions of dollars for the City annually.

Mr. Kersley stated that the City will then enter this new data into its system to collect for 2012. Mr. Waltman stated that the City must also continue to pursue those who are not licensed and have cash businesses.

Ms. Goodman-Hinnershitz stated that the cost to pursue the Per Capita Tax may be higher than the return.

Ms. Reed agreed and stated that the City's transiency rate also exacerbates this issue.

Mr. Waltman requested that the penalty for not coming forward be severe. He stated that the policy of the program is what will drive people to come forward. He noted that those who do not pay have an unfair advantage over those who do pay.

Mr. Waltman stated that these types of programs should be included in an amended Recovery Plan and that Earned Income Tax should also be pursued. He noted the need for the City to stay motivated to close these loops in the City's data.

Ms. Goodman-Hinnershitz noted that making materials available in both English and Spanish will increase the costs. Mr. Kersley stated that a brochure is being prepared along with a guide to doing business in the City.

Ms. Goodman-Hinnershitz questioned if all employees could run these reports from Hansen. Mr. Kersley stated that he has recently worked with IT to create the reports and they are now available to all. He warned that the data is raw and may not be helpful to all.

Ms. Kelleher stated that the ordinance for final passage this evening creates the overall program. The ordinance being introduced creates the specific Business Privilege and Per Capita program. She stated that this allows the Administration to pursue specific taxes as they move forward.

Ms. Goodman-Hinnershitz noted the need to include this information in budget discussions.

Mr. Waltman suggested that 2011 not be included in the program as it is too soon after the filing deadline. Council agreed.

Mr. Corcoran suggested that a pattern of repeat offenders will be seen.

Ms. Goodman-Hinnershitz suggested working with the Berks County Office of Aging and Berks Encore for the Per Capita Tax.

II. Water Authority Lease Agreement Review

Ms. Kelleher stated that the per bill fee and the remittance issues remain.

Mr. Waltman stated that \$1 per bill is the amount he heard. He stated that Mr. Geffken had been working on these issues. He stated that these issues should be in the Lease Agreement.

Ms. Kelleher stated that Mr. Zale does not agree with the \$1 per bill amount. Mr. Murin stated that a meeting was recently held and Mr. Zale did not voice his concern. He stated that the \$1 per bill is close to the amount reached when using the formula included in the Agreement. He stated that these negotiations began under the McMahon Administration.

Mr. Murin stated that the employee costs in the Citizens Service Center for Water Authority business totaled \$720,000 for twelve employees. He stated that Maximus determined a charge back of \$50,400 when in reality 40% of the Citizens Service Center work involves the Water Authority. He stated that the charge back should have been \$288,000 and this lead to the discussions for more equitable solutions. He stated that discussions continue to include recycling and trash on the water bills and will generate a \$103,000 annual savings. He stated that the savings is substantial and the Administration is satisfied with the current Agreement language.

Mr. Waltman noted that in addition \$500,000 in indirect costs are removed since the Water Authority is no longer in City Hall. He stated that the \$1 per bill is not an unfair amount but questioned how much was spent on billing in the past. He stated that not including this in the Agreement is a blind leap for the City. He also questioned how accurate the formula would remain moving forward.

Mr. Waltman stated that the timeliness of payments is also a critical issue. He stated that the City has been guilty of holding payments to the Water Authority in the past. Mr. Murin stated that the transfer of funds was addressed at the meeting.

Mr. Waltman questioned if partial payments would be pro-rated equitably between the City and the Water Authority. He suggested that partial payments be split 50 – 50. Mr. Murin stated that this was also discussed in the meeting and that administrative staff will be putting these issues in writing as separate Memorandums of Understanding. He stated that the Water Authority is anxious to have this Agreement signed and that these items are all administrative matters.

Mr. Waltman stated that all these matters must be thought through before action is taken. He noted his agreement with the Memorandum of Understanding approach.

Ms. Goodman-Hinnershitz suggested pulling this ordinance out of pending for action this evening. She stated that Council can authorize the Memorandums of Understanding at a separate meeting. Ms. Katzenmoyer explained that she did not prepare this ordinance in its final form for this evening. She noted the need to ensure that the most recent draft Agreement is included in the legislation.

Mr. Acosta suggested Council take action on this item at its next meeting.

Mr. Cituk questioned if the \$1 per bill was 100% of cost or 50% of cost. Mr. Murin stated that the total cost is \$2 per bill so this is 50%.

Mr. Cituk stated that there has also been dialog with the County to add trash and recycling fees to the property tax bill for approximately \$2,000 annually. He stated that this would further decrease costs. Mr. Murin stated that the Administration does not support this approach as those living in the poorest city cannot pay these fees and their taxes on one bill. He stated that through the Water Authority, the City can accept credit card payments. He stated that there will also be savings through discontinuing the lockbox and on collection costs. He stated that this figure has not yet been determined but that it is a significant amount.

Mr. Cituk responded to Mr. Waltman's comment regarding payments to the Water Authority and stated that the Water Authority funds were transferred to them the same day.

Ms. Goodman-Hinnershitz suggested that action be taken on May 29 and all issues are complete for discussion at the Committee of the Whole meeting.

Mr. Spencer voiced his frustration of some in the City who are unwilling to look at new and different concepts. He stated that concerns should be addressed during meetings and people should not use subversive tactics.

Mr. Murin stated that Administrative staff will be memorializing the discussions through the Memorandums of Understanding.

Ms. Kelleher questioned including the language from the Memorandums of Understanding in the Lease Agreement. Mr. Spencer stated that they should be separate documents.

Ms. Kelleher questioned why that method is preferred since the Lease Agreement and the Memorandums of Understanding would also need Council approval. Mr. Spencer stated that the hardship issue has not yet been addressed. Mr. Waltman suggested amending the Lease Agreement in the future.

Ms. Goodman-Hinnershitz expressed her belief that the major issues have been resolved and noted her hope that this issue move forward.

III. Agenda Review

Ms. Katzenmoyer stated that each Councilor received a packet this evening with the three ordinances which were not attached to the agenda packet. She stated that there are also two fee schedule amendments which the Administration requested be added to this evening's agenda for introduction.

Council reviewed this evening's agenda including the following:

- Ordinance regarding Public Private Partnerships for City Parks and Playgrounds

Mr. Sterner questioned if these groups would be covered by the City's insurance. Mr. Younger stated that he will research this issue.

Mr. Spencer stated that some groups have agreements with the City but others do not.

Ms. Goodman-Hinnershitz questioned if the ICC could monitor this issue so that the City can find all the groups that are assisting. Mr. Spencer stated that this issue is on the ICC agenda.

Mr. Acosta stated that the City has missed the 2012 deadline regarding Egelman baseball field. Ms. Goodman-Hinnershitz stated that this is a legal issue.

The meeting adjourned at 6:15 pm.

Respectfully

Submitted

Linda A. Kelleher, CMC, City Clerk

CITY OF READING
COUNTY OF BERKS
COMMONWEALTH OF PENNSYLVANIA

ORDINANCE NO. _____
ENACTED: JUNE __, 2012

AN ORDINANCE OF THE COUNCIL OF THE CITY OF READING, BERKS COUNTY, PENNSYLVANIA, SETTING FORTH ITS INTENT TO ISSUE A FEDERALLY-TAXABLE GENERAL OBLIGATION NOTE, SERIES B OF 2012 OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF THREE MILLION NINETY-NINE THOUSAND DOLLARS (\$3,099,000) PURSUANT TO THE ACT OF THE GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA, KNOWN AS THE LOCAL GOVERNMENT UNIT DEBT ACT, 53 PA. C.S. CHAPTERS 80-82, AS AMENDED AND SUPPLEMENTED (THE "ACT"); FINDING THAT A PRIVATE SALE BY NEGOTIATION IS IN THE BEST FINANCIAL INTERESTS OF THE CITY; DETERMINING THAT SUCH NOTE SHALL EVIDENCE NONELECTORAL DEBT OF THE CITY; SPECIFYING THAT SUCH INDEBTEDNESS IS TO BE INCURRED TO PROVIDE FUNDS TO FINANCE A PROJECT OF THE CITY WHICH CONSISTS OF, AMONG OTHER THINGS: (1) THE CURRENT REFUNDING OF THE CITY'S FEDERALLY-TAXABLE GENERAL OBLIGATION NOTE, SERIES OF 2000, AND (2) PAYING THE COSTS AND EXPENSES OF ISSUING THE NOTE; SETTING FORTH A REASONABLE ESTIMATE OF THE USEFUL LIVES OF THE PROJECTS TO BE REFINANCED BY THE NOTE; ACCEPTING A COMMITMENT FOR THE PURCHASE OF SUCH NOTE AT PRIVATE SALE BY NEGOTIATION; PROVIDING THAT SUCH NOTE, WHEN ISSUED, SHALL CONSTITUTE A GENERAL OBLIGATION OF THE CITY; FIXING THE FORM, NUMBER, DATE, INTEREST AND MATURITY THEREOF AND PLACE OF PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH NOTE; AUTHORIZING SPECIFIED OFFICERS OF THE CITY TO CONTRACT WITH THE PAYING AGENT FOR ITS SERVICES IN CONNECTION WITH THE NOTE, IF NECESSARY; SETTING FORTH THE SUBSTANTIAL FORM OF THE NOTE EVIDENCING THE DEBT; AUTHORIZING EXECUTION AND ATTESTATION OF SUCH NOTE; PROVIDING COVENANTS RELATED TO DEBT SERVICE APPLICABLE TO SUCH NOTE TO THE EXTENT REQUIRED BY THE ACT AND PLEDGING THE FULL FAITH, CREDIT AND TAXING POWER OF THE CITY IN SUPPORT THEREOF; CREATING A SINKING FUND IN CONNECTION WITH SUCH NOTE, TO THE EXTENT REQUIRED BY THE ACT; DESIGNATING THE PAYING AGENT TO BE THE SINKING FUND DEPOSITORY; AUTHORIZING THE EXECUTION OF ONE OR MORE INVESTMENT AGREEMENTS BY SPECIFIED OFFICERS OF THE CITY (IF APPLICABLE) AND THE PURCHASE OF CERTAIN U.S. TREASURY OBLIGATIONS OR ANY OTHER SECURITIES OR INVESTMENTS IN CONNECTION WITH THE PROJECT, IF NECESSARY; AUTHORIZING AND DIRECTING SPECIFIED OFFICERS OF THE CITY TO DO, TO TAKE AND TO PERFORM CERTAIN SPECIFIED, REQUIRED, NECESSARY OR APPROPRIATE ACTS TO EFFECT THE ISSUANCE OF THE NOTE, INCLUDING, WITHOUT LIMITATION, THE PREPARATION OF A DEBT STATEMENT AND BORROWING BASE CERTIFICATE, AND THE FILING OF SPECIFIED DOCUMENTS WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, ALL AS

REQUIRED BY THE ACT; APPROVING A SELF-LIQUIDATING DEBT REPORT, IF APPLICABLE; DECLARING THAT THE DEBT TO BE EVIDENCED BY SUCH NOTE, TOGETHER WITH ALL OTHER INDEBTEDNESS OF THE CITY, WILL NOT BE IN EXCESS OF ANY APPLICABLE LIMITATION IMPOSED BY THE ACT; AUTHORIZING PROPER OFFICERS OF THE CITY TO DELIVER THE NOTE UPON THE APPROVAL OF THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; PROVIDING WHEN THIS ORDINANCE SHALL BECOME EFFECTIVE; PROVIDING FOR SEVERABILITY OF PROVISIONS; AND REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES INsofar AS THE SAME SHALL BE INCONSISTENT HERewith.

WHEREAS, the City of Reading, Berks County, Pennsylvania (the “City”), was incorporated under the laws of the Commonwealth of Pennsylvania; and

WHEREAS, it is necessary that the indebtedness of the City be increased for the purposes of providing funds to fund a project which consists of, among other things, (1) the current refunding of the City’s Federally-Taxable General Obligation Note, Series of 2010 (the “2010 Note”), and (2) paying the costs and expenses of issuing the Note (hereinafter defined) (the “Project”); and

WHEREAS, the City has heretofore issued the 2010 Note in the original principal amount of \$3,250,000; and

WHEREAS, the City desires to authorize the refunding of the 2010 Note for the purpose of reducing total debt service over the life of the series; and

WHEREAS, the Note which is being issued to refund the 2010 Note will not be outstanding through a maturity date that could not have been included in the issue of the 2010 Note; and

WHEREAS, it is necessary that the indebtedness of the City be increased for the purpose of funding the Project; and

WHEREAS, the proposed increase of debt, together with its nonelectoral indebtedness and its lease rental indebtedness presently outstanding, will not cause the limitations of the City, pursuant to constitutional and statutory authority, to be exceeded; and

WHEREAS, the City received a commitment letter for the financing of the Project (the “Commitment Letter”) from Fulton Bank, N.A., Wyomissing, Pennsylvania (the “Purchaser”); and

WHEREAS, the City desires to formally approve the Project, to accept the Commitment Letter and to authorize the incurrence of nonelectoral debt under the Act, and the execution and delivery of the Commitment Letter.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF READING, BERKS COUNTY, PENNSYLVANIA HEREBY ORDAINS AS FOLLOWS:

SECTION 1. The aggregate principal amount of the Federally-Taxable General Obligation Note, Series B of 2012 (the “Note”) of the City of Reading, Berks County,

Pennsylvania, proposed to be issued shall be \$3,099,000. The Note shall be incurred as nonelectoral debt.

SECTION 2. The City hereby approves the Project to be undertaken consisting of, among other things, (1) the current refunding of the 2010 Note, and (2) paying the costs and expenses of issuing the Note.

It is hereby determined and declared that the remaining estimated useful lives of the projects to be refinanced with the proceeds of the Note range from at least 3 years to at least 18 years.

It is hereby certified that an aggregate principal amount of the Note at least equal to the realistic estimated cost of each such capital project shall mature prior to the end of the useful life of such project. Stated installments or maturities of principal of the Note will not be deferred beyond the later of one year after the estimated date for the completion of the construction portion of the Project, if any, or two years from the date of issuance of the Note.

In connection with the issuance and sale of the Note, the Council, as required by the provisions of the Act, hereby finds, determines and states (a) that the purpose of the refunding of the 2010 Note is to reduce total debt service over the life of the series; and (b) that the refunding of the 2010 Note is authorized and permitted under and pursuant to the provisions of Section 8241 of the Act. The Council further finds and determines that the final maturity date of the Note issued to effect the refunding of the 2010 Note does not extend to a date that could not have been included in the 2010 Note issue.

The Council of the City hereby authorizes and directs its proper officers, agents and employees to execute all documents and take all actions necessary in connection with accomplishing the refunding of the 2010 Note, including, but not limited to providing notice to the Paying Agent for the 2010 Note, and to call the 2010 Note for optional redemption in full on the first date the 2010 Note is eligible to be called for optional redemption. In accordance with Section 8246 of the Act, it is the intent of the Council that the 2010 Note shall no longer be outstanding from and after the date of the issuance of the Note.

SECTION 3. Said indebtedness shall be evidenced by a general obligation note in the aggregate principal amount of \$3,099,000 dated and bearing interest from the earliest date of possible issue of said Note under the statutory time requirements as set forth in the Act. In accordance with the provisions of the Commitment Letter, the Note shall bear interest at the rate per annum as set forth on the form of Note. Interest is payable on the unpaid balance of said Note during its term until paid. The Note shall mature in installments of principal as shown on the attached Schedule hereinafter referred to as Exhibit A.

The City reserves the right to prepay all or part of any installments of principal at any time prior to the respective payment dates thereof, without notice or penalty, as more fully provided in the form of Note.

The principal and interest of said Note shall be payable at the office of the sinking fund depository selected for the Note as hereinafter provided.

SECTION 4. The Note is hereby declared to be a general obligation of the City. The City hereby covenants that it shall include the amount of debt service on the Note for each

fiscal year in which such sums are payable in its budget for that year; shall appropriate such amounts from its general revenues for the payment of such debt service; and shall duly and punctually pay or cause to be paid from its general revenues the principal of the Note and the interest thereon at the dates and places and in the manner stated in the Note according to the true intent and meaning thereof, and for such proper budgeting, appropriation, and payment, the full faith, credit and taxing power of the City are hereby irrevocably pledged.

SECTION 5. The Note, when issued, will be a general obligation of the City.

SECTION 6. The form of said Note shall be substantially as shown on the attached Exhibit B.

SECTION 7. The Note shall be executed in the name and under the corporate seal of the City by the Mayor and attested to by the City Clerk or Assistant City Clerk of the City. The City Clerk is hereby authorized and directed to deliver said Note to the Purchaser, and receive payment therefor on behalf of the City. The City Clerk or Assistant City Clerk is authorized and directed to prepare, verify and file the debt statement required by Section 8110 of the Act, and to take other necessary action, including, if necessary or desirable, the filing, either before or after the issuance of the Note, of additional debt statements or any statements required to qualify any portion of the debt from the appropriate debt limit as self-liquidating or subsidized debt.

SECTION 8. Fulton Bank, N.A., Wyomissing, Pennsylvania, is hereby designated as the Sinking Fund Depository for the Note, and there is hereby created and established a Sinking Fund, to be known as "City of Reading, Berks County, Pennsylvania, Sinking Fund – Federally-Taxable General Obligation Note, Series B of 2012," for the payment of the principal and interest thereon which shall be deposited into the Sinking Fund no later than the date upon which the same becomes due and payable. The City shall deposit into the Sinking Fund, which shall be maintained until the Note is paid in full, sufficient amounts for payment of principal and interest on the Note no later than the date upon which such payments shall become due. The Sinking Fund Depository shall, as and when said payments are due, without further action by the City withdraw available monies in the Sinking Fund and apply said monies to payment of the principal of and interest on the Note.

SECTION 9. The City is hereby authorized to contract with Fulton Bank, N.A., Wyomissing, Pennsylvania for its services as Sinking Fund Depository for the Note and Paying Agent for the same (the "Paying Agent").

SECTION 10. In compliance with Section 8161 of the Act, Council has determined that a private sale by negotiation, rather than public sale, is in the best financial interest of the City. The Commitment Letter is hereby accepted and the Note is hereby awarded and sold to the Purchaser in accordance with its commitment to purchase the said Note at par; provided the Note is dated the date of delivery thereof to the Purchaser and is in substantially the form set forth in Exhibit B to this Ordinance with such changes as may be approved by the officers of the City executing such Note; and further provided that the proceedings have been approved by the Department of Community and Economic Development if such approval is required under the provisions of the Act. A copy of said Commitment Letter shall be attached hereto as Exhibit C and lodged with the official minutes of this meeting and is hereby incorporated herein by reference.

SECTION 11. If necessary, the City hereby approves the execution of one or more investment agreements, the purchase of certain U.S. Treasury obligations or any other securities or investments (the "Investments") for investment of the proceeds of the Note in connection with the Project. The City hereby authorizes and directs the Mayor to execute and the City Clerk or Assistant City Clerk of the City to attest any investment agreement on behalf of the City, in the form approved by the Solicitor and Bond Counsel of the City. The Investments shall be limited to those authorized under law for proceeds of the Note.

SECTION 12. The action of the proper officers and the advertising of a summary of this Ordinance as required by law in a newspaper of general circulation in the City, is ratified and confirmed. The advertisement of enactment in said newspaper is hereby directed within fifteen (15) days following the day of final enactment.

SECTION 13. The proper officers of the City are hereby authorized to execute and deliver such other documents, including any additional documents, certificates and agreements required by the Commitment Letter, and to take such other action as may be necessary or proper to effect the completion of the financing or the intent and purposes of this Ordinance.

SECTION 14. In the event any provision, section, sentence, clause or part of this Ordinance shall be held to be invalid, such invalidity shall not affect or impair any remaining provision, section, sentence, clause or part of this Ordinance, it being the intent of the City that the remainder of this Ordinance shall remain in full force and effect.

SECTION 15. All ordinances or parts of ordinances not in accord with this Ordinance are hereby repealed insofar as they conflict herewith.

SECTION 16. This Ordinance shall be effective in accordance with Section 8003 of the Act.

DULY ENACTED, THIS ____ DAY OF JUNE, 2012, BY THE COUNCIL OF CITY OF READING, BERKS COUNTY, PENNSYLVANIA, IN LAWFUL SESSION DULY ASSEMBLED.

Attest:

CITY OF READING
Berks County, Pennsylvania

By: _____
Linda A. Kelleher CMC, City Clerk

Francis Acosta, President of Council

(SEAL)

EXHIBIT A

Principal Payment Schedule
Series B of 2012 Note

Payment Date <u>(May 15)</u>	<u>Amount</u>
2013	
2014	
2015	
2016	
2017	
2018	
2019	
2020	
2021	
2022	
2023	
2024	
2025	
2026	
2027	

EXHIBIT B

Form of Note

UNITED STATES OF AMERICA
COMMONWEALTH OF PENNSYLVANIA
COUNTY OF BERKS
CITY OF READING

FEDERALLY-TAXABLE
GENERAL OBLIGATION NOTE
SERIES B OF 2012

\$ _____

—
2012

Dated: _____,

The CITY OF READING, COUNTY OF BERKS, COMMONWEALTH OF PENNSYLVANIA (the “City”), a local government unit existing by and under the laws of said Commonwealth, for value received, hereby acknowledges itself indebted and promises to pay to FULTON BANK, N.A., Wyomissing, Pennsylvania (the “Purchaser”), or registered assigns, the sum of _____ Million _____ Hundred _____ Thousand Dollars (\$_____) or such lesser particular sum as shall represent the unpaid balance of such principal sum, on the terms and conditions set forth below.

From the date hereof through and including _____, 20__, interest shall be due and payable on this Note at a fixed rate equal to five and seventy-five hundredths percent (5.75%) per annum. Thereafter, commencing _____, 20__, interest shall be due and payable on this Note at a variable rate equal to the Fulton Bank Prime Rate. Notwithstanding the foregoing, in no event shall the interest rate on this Note be less than _____ percent (____%) per annum and in no event shall the interest rate on this Note exceed _____ percent (____%) per annum. Interest shall be calculated on the basis of the actual number of days elapsed and a year of three hundred sixty (360) days. Interest shall be due and payable semi-annually on May 15 and November 15 of each year, commencing on November 15, 2012.

As used herein, the term “Fulton Bank Prime Rate” shall mean the variable annual rate of interest regularly and from time to time established by the Purchaser as its prime rate and so designated, whether or not the Purchaser shall at times lend at lower rates to specific borrowers. Any change in the Fulton Bank Prime Rate shall become effective on the day established by the Purchaser as the effective date for such change.

Principal of this Note shall be due and payable annually on May 15 of each year, commencing May 15, 20__, in the amounts set forth on Exhibit “A” attached hereto and made a part hereof. On May 15, 20__, all principal, accrued, unpaid interest and other amounts evidenced by this Note shall be due and payable in full, without notice or demand.

If the due date for payment of interest on or principal of this Note shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are

authorized by law or executive order to remain closed, then payment of such interest, principal or redemption price need not be made on such date, but may be made on the next succeeding day which is not a Saturday, Sunday, legal holiday or a day upon which banking institutions in the Commonwealth are authorized by law or executive order to remain closed with the same force and effect as if made on the due date for payment of principal or interest and no interest shall accrue thereon for any period after such due date.

The City has the option to prepay all or part of any installment of principal at any time prior to the respective payment dates thereof, without notice or penalty.

Both principal and interest are payable in such coin or currency as on the respective date of payment thereof and shall be legal tender for the payment of public and private debts, at the office of Fulton Bank, the paying agent, located in Wyomissing, Pennsylvania.

This Federally-Taxable General Obligation Note, Series B of 2012 (the "Note") is issued under and pursuant to provisions of the Ordinance enacted by the Council of the City on June __, 2012 (the "Ordinance"). This Note is authorized to be issued under the Local Government Unit Debt Act of the Commonwealth, as reenacted and amended (the "Act"), without the assent of electors, and pursuant to the Ordinance. This Note shall be issued in the principal amount of \$_____ and is subject and entitled to the benefit of provisions of the Ordinance. The terms and provisions of the Ordinance are hereby incorporated by reference as if set forth fully herein.

The City has covenanted in the Ordinance, to and with the registered owner(s) hereof, that it (i) shall include the amount of the debt service for this Note, for each fiscal year of the City in which such amounts are payable, in its budget for that fiscal year, (ii) that it shall appropriate such amounts from its general revenues for the payment of such debt service in each such fiscal year, and (iii) that it shall duly and punctually pay or cause to be paid from the sinking fund established under the Ordinance or any other of its revenues or funds the principal amount of this Note and the interest due thereon at the dates and places and in the manner stated therein, according to the true intent and meaning thereof and for such budgeting, appropriation and payment the City has pledged, irrevocably, its full-faith, credit and taxing power.

The Note does not pledge the credit or taxing power of the Commonwealth; nor shall this Note be deemed an obligation of the Commonwealth; nor shall the Commonwealth be liable for payment of the principal of or interest on this Note.

The Purchaser shall have the right to exercise the remedies set forth in the Act. Any failure by the Purchaser to exercise any right or privilege hereunder shall not be construed as a waiver of the right or privilege to exercise such right or privilege, or to exercise any other right or privilege, at any other time, and from time to time, thereafter.

No recourse shall be had for the payment of the principal of or interest on this Note, or for any claim based hereon or on the Ordinance, against any member, officer or employee, past, present, or future, of the City or of any successor body, as such, either directly or through the City or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, and all such liability of such members, officers or employees is released as a condition of and as consideration for the issuance of the Note.

It is hereby certified that the approval of the Department of Community and Economic Development of the Commonwealth for the City to issue and deliver this Note has been duly given pursuant to the Act; that all acts, conditions and things required by the laws of the Commonwealth to exist, to have happened or to have been performed, precedent to or in connection with the issuance of this Note or in the creation of the debt of which this Note is evidence, exist, have happened and have been performed in regular and due form and manner as required by law; that this Note, together with all other indebtedness of the City are within every debt and other limit prescribed by the Constitution and the statutes of the Commonwealth; that the City has established with the Paying Agent, as sinking fund depository, a sinking fund for this Note and shall deposit therein amounts sufficient to pay the principal of and interest on this Note as the same shall become due and payable; and that for the prompt and full payment of all obligations of this Note, the full faith, credit and taxing power of the City are hereby irrevocably pledged.

IN WITNESS WHEREOF, the City of Reading, Berks County, Pennsylvania, has caused this Note to be properly executed by its Mayor and its corporate seal to be hereto affixed, attested to by its City Clerk of the City as of the ____ day of June, 2012.

CITY OF READING
Berks County, Pennsylvania

By: _____
Vaughn Spencer, Mayor

Attest: _____
Linda A. Kelleher CMC, City Clerk

(SEAL)

REGISTRATION FORM

This Note can be validly negotiated only upon proper execution of the form set forth below, and upon notation of the same upon the books of Fulton Bank, N.A., Wyomissing, Pennsylvania, as Paying Agent and Registrar for this Note, maintained for such purpose. The City and the Registrar shall treat the registered owner of this Note, as noted on this Note and on said books, as the absolute owner hereof, and shall not be affected by any changed circumstances, nor by any notice to the contrary.

Original Registered Owner: Fulton Bank, N.A.

<u>Date</u>	<u>Transferor</u>	<u>Subsequent Purchaser</u>	<u>Registrar</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

For value received, the last-named Transferor, by its due execution above, hereby, on the above-stated date, sells, transfers and negotiates this Note to the last-named subsequent purchaser, warranting that this transfer is effective and rightful; that, this Note is genuine and has not been materially altered; and that it has no knowledge of any fact which might impair the validity of this Note, and further irrevocably authorizes and directs Fulton Bank, N.A., Wyomissing, Pennsylvania, as Registrar, to make this transfer on its books maintained for such purposes.

Fulton Bank, N.A., Wyomissing, Pennsylvania, as Registrar, by its due execution above, on the above-stated date, acknowledges the transfer of this Note to the subsequent purchaser, who shall now be recognized as registered owner, and has noted such transfer on its books.

ASSIGNMENT

FOR VALUE RECEIVED, _____
hereby sells, assigns and transfers unto

_____ (the "Transferee")
Name

Address

Social Security or Federal
Employer Identification No.

the within Note and all rights thereunder and hereby irrevocably constitutes and
appoints _____ attorney to transfer the within Note on the books kept for
registration thereof, with full power of substitution in the premises.

Date: _____

NOTICE: No transfer will be issued in the name of the Transferee unless the signature(s) to this assignment correspond(s) with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the Transferee is supplied. If the Transferee is a trust, the names and Social Security or Federal Employer Identification Numbers of the settlor and beneficiaries of the trust, the Federal Employer Identification Number and date of the trust, and the name of the trustee should be supplied.

EXHIBIT C

Commitment Letter

BILL NO. _____ - 2012

AN ORDINANCE

AUTHORIZING THE MAYOR TO EXECUTE THE THIRD ADDENDUM TO THE LEASE AND OPERATING AGREEMENT BETWEEN THE CITY OF READING, PENNSYLVANIA AND THE READING AREA WATER AUTHORITY, IN THE FORM ATTACHED HERETO AS EXHIBIT "A", AND SUCH OTHER DOCUMENTS NECESSITATED THEREBY, INCLUDING, WITHOUT LIMITATION, (1) A DEED CONVEYING TO THE READING AREA WATER AUTHORITY AN APPROXIMATELY ONE HUNDRED TWENTY (120) ACRE PARCEL OF LAND LOCATED IN ONTELANUEE TOWNSHIP OWNED BY THE CITY AND (2) A DEED CONVEYING TO THE READING AREA WATER AUTHORITY AN APPROXIMATELY TWO AND THIRTY-NINE ONE HUNDREDTHS (2.39) ACRE PARCEL OF LAND OWNED BY THE CITY AND LOCATED AT 1801 MOSS STREET IN THE CITY OF READING.

WHEREAS, the City of Reading (the "City") is the titled owner of the premises adjacent to Lake Ontelaunee consisting of approximately one thousand twenty (1,020) acres in Ontelaunee Township, Berks County, Pennsylvania, also known as Parcel Identification Number 68540100609178;

WHEREAS, a portion of such premises is used in connection with the drinking water services provided by the Reading Area Water Authority (the "Authority") and the Authority desires to acquire a fee simple interest in such portion of the premises, consisting of approximately one hundred twenty (120) acres in total (the "Ontelaunee Property"), in order for the Authority to continue to provide drinking water services; and

WHEREAS, the City is the titled owner of the premises consisting of approximately two and thirty-nine one hundredths (2.39) acres located at 1801 Moss Street in the City of Reading, Berks County, Pennsylvania, also known as Parcel Identification Number 17531877004325 (the Store Yard Property");

WHEREAS, the Authority plans to make certain improvements in the vicinity of and/or on the Store Yard Property; and

WHEREAS, in exchange for the aforesaid conveyances, and other good and valuable consideration, the Authority has agreed to pay the City such consideration set forth in Exhibit "A" as the financing fee under the Third Addendum to the Lease and Operating Agreement.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF READING
HEREBY ORDAINS AS FOLLOWS:

SECTION 1: The Mayor is authorized to execute the Third Addendum to the Lease and Operating Agreement between the City of Reading, Pennsylvania and the Reading Area Water Authority, in the form attached hereto as Exhibit "A", and other such documents necessitated thereby, including, without limitation a deed conveying to the Reading Area Water Authority the Ontelaunee Property and Store Yard Property.

SECTION 2: This Ordinance, advertised on Monday, March 19, 2012 in the Reading Eagle, shall be effective ten (10) days after City Council's passage and approval by the Mayor, or as otherwise provided by the City of Reading's Home Rule Charter.

Enacted _____, 2012

President of Council

Attest:

City Clerk

(LAW DEPT.)

Submitted to Mayor: _____

Date: _____

Received by the Mayor's Office: _____

Date: _____

Approved by Mayor: _____
Date: _____

Vetoed by Mayor: _____
Date: _____

Exhibit “A”

Third Addendum to the Lease and Operating Agreement between the City of Reading,
Pennsylvania and the Reading Area Water Authority

**THIRD ADDENDUM TO THE TO LEASE AND OPERATING AGREEMENT
BETWEEN THE CITY OF READING, PENNSYLVANIA AND
THE READING AREA WATER AUTHORITY**

THIS THIRD ADDENDUM, dated this ____ day of _____, 2012 (“Addendum Date”) (the “Third Addendum”), is hereby agreed upon by the City of Reading, Berks County, Pennsylvania (“City”), and the Reading Area Water Authority (“Authority”), and hereby amends the Lease and Operating Agreement between the City and the Authority dated May 20, 1994, effective June 1, 1994, as supplemented in January 1995 and amended in October 1997 and December 2010.

R E C I T A L S

A. WHEREAS, the Authority has been incorporated pursuant to an ordinance of the Council of the City and is existing under the provisions of the Act of Assembly approved May 22, 1945, P.L. 382, as amended and supplemented, known as the “Municipality Authorities Act of 1945” (the “Act”);

B. WHEREAS, the City leases its Water System to the Authority pursuant to the terms of the Original Amended Lease (hereinafter defined);

C. WHEREAS, the parties mutually desire to enter into this Third Addendum to facilitate certain additional payments to the City by the Authority to assist in the Act 47 recovery program of the City.

NOW, THEREFORE, the Authority and the City, in consideration of the agreements, conditions and covenants herein contained, each intending to be legally bound, hereby, covenant and agree as follows:

(1) Definitions. Unless otherwise defined herein, all capitalized terms used in this Third Addendum shall have the meanings ascribed to them in the Original Amended Lease.

(a) All references in this Third Addendum or the Original Amended Lease to the “Lease” or “herein” or “hereunder” or other similar terms shall mean the Original Amended Lease, as amended by this Third Addendum.

(b) “Original Amended Lease” shall mean the collective agreement by and between the City and the Authority as evidenced by the Lease and Operating Agreement between the City and the Authority dated May 20, 1994, effective June 1, 1994, as supplemented in January 1995 and amended in October 1997 and December 2010.

(2) Lease Payments.

(a) 2012 Lease Payment. The Authority agrees that the Financing Fee component of the Original Amended Lease for calendar year 2012 shall be FIVE MILLION NINE HUNDRED TWENTY THOUSAND DOLLARS (\$5,920,000). The FIVE MILLION NINE HUNDRED TWENTY THOUSAND DOLLARS (\$5,920,000)

Financing Fee shall be used when calculating any reconciliation of the 2012 Lease payments.

(b) 2013 Lease Payment. The Authority agrees that the Financing Fee component of the Original Amended Lease for calendar year 2013 shall be SIX MILLION FOUR HUNDRED SEVENTY THOUSAND DOLLARS (\$6,470,000). The SIX MILLION FOUR HUNDRED SEVENTY THOUSAND DOLLARS (\$6,470,000) Financing Fee shall be used when calculating any reconciliation of the 2013 Lease payments.

(c) 2014 Lease Payment. The Authority agrees that the Financing Fee component of the Original Amended Lease for calendar year 2014 shall be SIX MILLION SIX HUNDRED SEVENTY THOUSAND DOLLARS (\$6,670,000). The SIX MILLION SIX HUNDRED SEVENTY THOUSAND DOLLARS (\$6,670,000) Financing Fee shall be used when calculating any reconciliation of the 2014 Lease payments.

(d) Subsequent Lease Payments. All lease payments due after the 2014 calendar year shall be calculated and paid in accordance with the terms of the Original Amended Lease.

(e) Meter Surcharge Payments to Continue. The Authority shall continue to pay to the City ONE MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$1,700,000) annually, which shall be due and payable to the City each calendar year in equal monthly installments in accordance with Article VI of the Original Amended Lease.

(3) Conveyance of Ontelaunee Property.

(a) The City hereby agrees to convey to the Authority the approximately one hundred twenty (120) acre parcel of land located in Ontelaunee Township, Berks County, Pennsylvania owned by the City in which the Authority's raw water conveyance mains are located (the "Ontelaunee Property") as soon as practicable after the execution hereof.

(b) If subdivision planning is required to allow the Ontelaunee Property to be conveyed, the City hereby appoints the Authority as its agent to prosecute a subdivision plan with Ontelaunee Township. Notwithstanding the foregoing, the City shall not bear any responsibility for the Authority's actions while prosecuting such subdivision nor shall the City be responsible for contributing to any fees, costs or resources required for the prosecution of such subdivision.

(c) In furtherance of the foregoing, the Authority hereby waives all restrictions associated with the Ontelaunee Property resulting from the Second Addendum to the Original Amended Lease and will execute a document evidencing such waiver to be recorded by the City with the Berks County Recorder of Deeds Office at the Authority's expense.

(d) In connection with the conveyance of the Ontelaunee Property to the Authority, the Authority agrees that it shall not sell, convey, transfer or mortgage any interest to the Ontelaunee Property to any third party or use the Ontelaunee Property as collateral to secure any debt or obligation. To the extent the preceding restriction is unenforceable, then any conveyance from the Authority to a third party shall be subject to (a) the prior written consent of the City executed by the City's Mayor and authorized by Ordinance (which consent may be withheld by the City in its sole and absolute discretion) and (b) a grant of a right of first refusal in favor of the City to match the purchase price any such firm offer to purchase the Ontelaunee Property by a third party (within ninety (90) days from the City's receipt of notice of such firm offer) as a condition precedent for the effectiveness of any such conveyance. Such requirement for City's prior written consent and right of first refusal prior to the conveyance of the Ontelaunee Property to a third party shall be recorded against the Ontelaunee Property. In addition, prior to any transfer of interest of the Ontelaunee Property to a third party by the Authority, the Authority shall reserve and record easements in favor of the City associated with all above and underground improvements on the Ontelaunee Property associated with the extraction, treatment or conveyance of potable water. In furtherance of the foregoing, the Authority obtain authorization from the City Council by Ordinance prior to executing any form of agreement conveying an interest in the Ontelaunee Property (including, without limitation, a purchase sale agreement, leasehold interest, mortgage, easement or right-of-way).

(4) Conveyance of Store Yard Property. The City hereby agrees to convey to the Authority the City-owned land accessible from Kutztown Road in the City of Reading and commonly known as the "store yard" property as soon as practicable after the execution hereof, subject to all encumbrances on such "store yard" property.

(5) Vacation of Moss Street (unopened) between Exeter Street and Hiester's Lane. The City shall take such actions as are necessary to vacate the unopened portion of Moss Street located north of Bern Street and south of Rockland Street in the City of Reading, which will cause the land on which such unopened street is located to become vested in the adjacent property owners unless otherwise provided by applicable laws.

(6) Authority Billing for Sewer Service and Other Services. The Authority agrees to assume responsibility for billing of sewer service accounts and such other accounts as the City requests the Authority to provide billing services, all of which will be in conjunction with the Authority's billing of water service accounts. The City shall pay to the Authority the Authority's actual cost of providing such sewer and other City requested billing services. Absent an agreement to the contrary entered into subsequent to the date of execution hereof, the costs to be paid by the City to the Authority for such billing services shall be half of the actual, commercially reasonable costs directly incurred by the Authority to maintain the billing system and generate and mail the joint Authority and City bills. The Authority will invoice the City for the same. The City shall pay such invoice within forty-five days of the City's receipt of the invoice unless the amount calculated by the Authority is reasonably disputed by the City. The Authority shall make available to the City upon request the records used in the calculation. The Authority shall maintain such records for no less than five (5) years. Unless otherwise

terminated, modified or extended by a separate written agreement signed by the Authority and City, this Section 6 of the Third Addendum shall terminate and be of no effect on and after January 1, 2014, except that the City shall pay for any costs incurred by the Authority in accordance with this Section 6 of the Third Addendum prior to January 1, 2014, upon the City's receipt of an invoice for such costs after the termination of this Section 6 of the Third Addendum.

(7) Allocation of Revenues. The Authority shall equitably and ratably allocate and distribute payments received by the Authority on the behalf of joint customers. The Authority and City agree to cooperate in good faith to establish a formal administrative policy governing such allocation and distribution.

(8) Sewer Multiplier. In connection with its agreement to make the additional payments required hereby, the Authority anticipates instituting a water rate increase applicable beginning January 1, 2012 of approximately 10.50%. The City agrees that the water rate increase proposed by the Authority will not be applied in a manner as to compound sewer rates solely by application of the sewer rate multiplier. Notwithstanding the foregoing, the City reserves the right to increase or modify sewer rates as it deems necessary or convenient in its sole discretion.

(9) Indemnification. The Authority shall indemnify, defend and hold harmless (with counsel selected by the City is its sole discretion) the City and its officers, Council members, employees, agents, successors and assigns (the "Indemnified Parties"), from and against any and all injuries, losses, claims, damages, costs, expenses (including, without limitation, reasonable attorneys' fees and experts' fees), liabilities, fines, penalties or settlement amounts, threatened, incurred, or imposed on or against the Indemnified Parties arising from or related to the conveyance or subdivision of any right, title or interest in the real property subject to this Third Addendum. This Section 8 shall survive the expiration or termination of the Lease.

(10) Take-Back Powers. The City shall retain all rights and powers by operation of law, including, but not limited to, the Municipalities Authorities Act, 53 Pa. C.S.A. 5622 , to require the Authority to convey the water system to the City upon assumption by the City of the obligations incurred by the Authority with respect to the water system (the "Take-Back Powers"). Except as provided below, the Authority shall not take any actions which will hinder, limit or interfere with the City's Take-Back Powers, including, but not limited to, entering into any agreement, contract, loss obligation, bond, trust indenture or pledge that contains terms that limit, directly or indirectly, or attempt to limit the City's Take-Back Powers. Notwithstanding the foregoing, the City acknowledges that in the exercise of its responsibilities to operate and maintain the Water System, of necessity the Authority will routinely enter into transactions, including the issuance of debt, the employment of personnel pursuant to collective bargaining agreements and other transactions that may have the affect of increasing the obligations of the Authority with respect to the Water System that the City will need to assume to exercise its Take Back Powers. There is no intent to restrict the Authority's ability to operate and maintain the Water System by entering into such transactions so long as such transactions are entered on commercially reasonable terms, are necessary for the efficient operation of the

Water Systems, and were entered with no intent to hinder, limit or interfere with the City's exercise of its Take Back Powers. Without limiting the generality of the foregoing, the Authority shall not enter into any transactions or allow any encumbrance that would hinder, limit or interfere with the City's assumption of the Ontelaunee Property in the event the City exercises its Take-Back Powers except with the prior written consent of the City executed by the City's Mayor and authorized by Ordinance (which consent may be withheld by the City in its sole and absolute discretion). Any such transaction, agreement or encumbrance shall be deemed against public policy and be null, void and unenforceable by all courts of competent jurisdiction.

IN WITNESS WHEREOF, the City of Reading, Berks County, Pennsylvania has caused this Third Addendum to be executed in its name and on its behalf by its Mayor and its official seal to be affixed hereunder and attested by its City Clerk, and the Reading Area Water Authority has caused this Agreement to be executed in its name and on its behalf by its Chairperson or Vice Chairperson and its corporate seal to be affixed hereto and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

City of Reading

Reading Area Water Authority

By: _____
Mayor

By: _____
Chairperson

Attest: _____
City Clerk

Attest: _____
Secretary

**THIRD ADDENDUM TO THE TO LEASE AND OPERATING AGREEMENT
BETWEEN THE CITY OF READING, PENNSYLVANIA AND
THE READING AREA WATER AUTHORITY**

THIS THIRD ADDENDUM, dated this ____ day of _____, 2012 (“Addendum Date”) (the “Third Addendum”), is hereby agreed upon by the City of Reading, Berks County, Pennsylvania (“City”), and the Reading Area Water Authority (“Authority”), and hereby amends the Lease and Operating Agreement between the City and the Authority dated May 20, 1994, effective June 1, 1994, as supplemented in January 1995 and amended in October 1997 and December 2010.

R E C I T A L S

D. WHEREAS, the Authority has been incorporated pursuant to an ordinance of the Council of the City and is existing under the provisions of the Act of Assembly approved May 22, 1945, P.L. 382, as amended and supplemented, known as the “Municipality Authorities Act of 1945” (the “Act”);

E. WHEREAS, the City leases its Water System to the Authority pursuant to the terms of the Original Amended Lease (hereinafter defined);

F. WHEREAS, the parties mutually desire to enter into this Third Addendum to facilitate certain additional payments to the City by the Authority to assist in the Act 47 recovery program of the City.

NOW, THEREFORE, the Authority and the City, in consideration of the agreements, conditions and covenants herein contained, each intending to be legally bound, hereby, covenant and agree as follows:

(11) Definitions. Unless otherwise defined herein, all capitalized terms used in this Third Addendum shall have the meanings ascribed to them in the Original Amended Lease.

(a) All references in this Third Addendum or the Original Amended Lease to the “Lease” or “herein” or “hereunder” or other similar terms shall mean the Original Amended Lease, as amended by this Third Addendum.

(b) “Original Amended Lease” shall mean the collective agreement by and between the City and the Authority as evidenced by the Lease and Operating Agreement between the City and the Authority dated May 20, 1994, effective June 1, 1994, as supplemented in January 1995 and amended in October 1997 and December 2010.

(12) Lease Payments.

(a) 2012 Lease Payment. The Authority agrees that the Financing Fee component of the Original Amended Lease for calendar year 2012 shall be FIVE MILLION NINE HUNDRED TWENTY THOUSAND DOLLARS (\$5,920,000). The FIVE MILLION NINE HUNDRED TWENTY THOUSAND DOLLARS (\$5,920,000)

Financing Fee shall be used when calculating any reconciliation of the 2012 Lease payments.

(b) 2013 Lease Payment. The Authority agrees that the Financing Fee component of the Original Amended Lease for calendar year 2013 shall be SIX MILLION FOUR HUNDRED SEVENTY THOUSAND DOLLARS (\$6,470,000). The SIX MILLION FOUR HUNDRED SEVENTY THOUSAND DOLLARS (\$6,470,000) Financing Fee shall be used when calculating any reconciliation of the 2013 Lease payments.

(c) 2014 Lease Payment. The Authority agrees that the Financing Fee component of the Original Amended Lease for calendar year 2014 shall be SIX MILLION SIX HUNDRED SEVENTY THOUSAND DOLLARS (\$6,670,000). The SIX MILLION SIX HUNDRED SEVENTY THOUSAND DOLLARS (\$6,670,000) Financing Fee shall be used when calculating any reconciliation of the 2014 Lease payments.

(d) Subsequent Lease Payments. All lease payments due after the 2014 calendar year shall be calculated and paid in accordance with the terms of the Original Amended Lease.

(e) Meter Surcharge Payments to Continue. The Authority shall continue to pay to the City ONE MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$1,700,000) annually, which shall be due and payable to the City each calendar year in equal monthly installments in accordance with Article VI of the Original Amended Lease.

(13) Conveyance of Ontelaunee Property.

(a) The City hereby agrees to convey to the Authority the approximately one hundred twenty (120) acre parcel of land located in Ontelaunee Township, Berks County, Pennsylvania owned by the City in which the Authority's raw water conveyance mains are located (the "Ontelaunee Property") as soon as practicable after the execution hereof.

(b) If subdivision planning is required to allow the Ontelaunee Property to be conveyed, the City hereby appoints the Authority as its agent to prosecute a subdivision plan with Ontelaunee Township. Notwithstanding the foregoing, the City shall not bear any responsibility for the Authority's actions while prosecuting such subdivision nor shall the City be responsible for contributing to any fees, costs or resources required for the prosecution of such subdivision.

(c) In furtherance of the foregoing, the Authority hereby waives all restrictions associated with the Ontelaunee Property resulting from the Second Addendum to the Original Amended Lease and will execute a document evidencing such waiver to be recorded by the City with the Berks County Recorder of Deeds Office at the Authority's expense.

(d) In connection with the conveyance of the Ontelaunee Property to the Authority, the Authority agrees that it shall not sell, convey, transfer or mortgage any interest to the Ontelaunee Property to any third party or use the Ontelaunee Property as collateral to secure any debt or obligation. To the extent the preceding restriction is unenforceable, then any conveyance from the Authority to a third party shall be subject to (a) the prior written consent of the City executed by the City's Mayor and authorized by Ordinance (which consent may be withheld by the City in its sole and absolute discretion) and (b) a grant of a right of first refusal in favor of the City to match the purchase price any such firm offer to purchase the Ontelaunee Property by a third party (within ninety (90) days from the City's receipt of notice of such firm offer) as a condition precedent for the effectiveness of any such conveyance. Such requirement for City's prior written consent and right of first refusal prior to the conveyance of the Ontelaunee Property to a third party shall be recorded against the Ontelaunee Property. In addition, prior to any transfer of interest of the Ontelaunee Property to a third party by the Authority, the Authority shall reserve and record easements in favor of the City associated with all above and underground improvements on the Ontelaunee Property associated with the extraction, treatment or conveyance of potable water. In furtherance of the foregoing, the Authority obtain authorization from the City Council by Ordinance prior to executing any form of agreement conveying an interest in the Ontelaunee Property (including, without limitation, a purchase sale agreement, leasehold interest, mortgage, easement or right-of-way).

(14) Conveyance of Store Yard Property. The City hereby agrees to convey to the Authority the City-owned land accessible from Kutztown Road in the City of Reading and commonly known as the "store yard" property as soon as practicable after the execution hereof, subject to all encumbrances on such "store yard" property.

(15) Vacation of Moss Street (unopened) between Exeter Street and Hiester's Lane. The City shall take such actions as are necessary to vacate the unopened portion of Moss Street located north of Bern Street and south of Rockland Street in the City of Reading, which will cause the land on which such unopened street is located to become vested in the adjacent property owners unless otherwise provided by applicable laws.

(16) Authority Billing for Sewer Service and Other Services. The Authority agrees to assume responsibility for billing of sewer service accounts and such other accounts as the City requests the Authority to provide billing services **authorized by City Council through the enactment of an ordinance**, all of which will be in conjunction with the Authority's billing of water service accounts. The City shall pay to the Authority **a billing charge of \$1.00 per property, not to exceed \$30,000 per month** ~~the Authority's actual cost of providing such sewer and other City requested billing services.~~ Absent an agreement to the contrary entered into subsequent to the date of execution hereof, the costs to be paid by the City to the Authority for such billing services shall be half of the actual, commercially reasonable costs directly incurred by the Authority to maintain the billing system and generate and mail the joint Authority and City bills. The Authority will invoice the City for the same. The City shall pay such invoice within forty-five days of the City's receipt of the invoice unless the amount calculated by the Authority is reasonably disputed by the City. The Authority shall make available to the City upon

request the records used in the calculation. The Authority shall maintain such records for no less than five (5) years. Unless otherwise terminated, modified or extended by a separate written agreement signed by the Authority and City, this Section 6 of the Third Addendum shall terminate and be of no effect on and after January 1, 2014, except that the City shall pay for any costs incurred by the Authority in accordance with this Section 6 of the Third Addendum prior to January 1, 2014, upon the City's receipt of an invoice for such costs after the termination of this Section 6 of the Third Addendum.

Allocation of Revenues. The Authority shall remit payments ~~equitably and ratably allocate and distribute payments~~ received by the Authority on the behalf of joint customers **on a daily basis**. The Authority and City agree to cooperate in good faith to establish a formal administrative policy governing such allocation and distribution.

(17) Sewer Multiplier. In connection with its agreement to make the additional payments required hereby, the Authority anticipates instituting a water rate increase applicable beginning January 1, 2012 of approximately 10.50%. The City agrees that the water rate increase proposed by the Authority will not be applied in a manner as to compound sewer rates solely by application of the sewer rate multiplier. Notwithstanding the foregoing, the City reserves the right to increase or modify sewer rates as it deems necessary or convenient in its sole discretion.

(18) Indemnification. The Authority shall indemnify, defend and hold harmless (with counsel selected by the City is its sole discretion) the City and its officers, Council members, employees, agents, successors and assigns (the "Indemnified Parties"), from and against any and all injuries, losses, claims, damages, costs, expenses (including, without limitation, reasonable attorneys' fees and experts' fees), liabilities, fines, penalties or settlement amounts, threatened, incurred, or imposed on or against the Indemnified Parties arising from or related to the conveyance or subdivision of any right, title or interest in the real property subject to this Third Addendum. This Section 8 shall survive the expiration or termination of the Lease.

(19) Take-Back Powers. The City shall retain all rights and powers by operation of law, including, but not limited to, the Municipalities Authorities Act, 53 Pa. C.S.A. 5622, to require the Authority to convey the water system to the City upon assumption by the City of the obligations incurred by the Authority with respect to the water system (the "Take-Back Powers"). Except as provided below, the Authority shall not take any actions which will hinder, limit or interfere with the City's Take-Back Powers, including, but not limited to, entering into any agreement, contract, loss obligation, bond, trust indenture or pledge that contains terms that limit, directly or indirectly, or attempt to limit the City's Take-Back Powers. Notwithstanding the foregoing, the City acknowledges that in the exercise of its responsibilities to operate and maintain the Water System, of necessity the Authority will routinely enter into transactions, including the issuance of debt, the employment of personnel pursuant to collective bargaining agreements and other transactions that may have the affect of increasing the obligations of the Authority with respect to the Water System that the City will need to assume to exercise its Take Back Powers. There is no intent to restrict the Authority's ability to operate and maintain the Water System by entering into such transactions so long as such transactions are entered on commercially reasonable terms, are necessary for the efficient operation of the

Water Systems, and were entered with no intent to hinder, limit or interfere with the City's exercise of its Take Back Powers. Without limiting the generality of the foregoing, the Authority shall not enter into any transactions or allow any encumbrance that would hinder, limit or interfere with the City's assumption of the Ontelaunee Property in the event the City exercises its Take-Back Powers except with the prior written consent of the City executed by the City's Mayor and authorized by Ordinance (which consent may be withheld by the City in its sole and absolute discretion). Any such transaction, agreement or encumbrance shall be deemed against public policy and be null, void and unenforceable by all courts of competent jurisdiction.

IN WITNESS WHEREOF, the City of Reading, Berks County, Pennsylvania has caused this Third Addendum to be executed in its name and on its behalf by its Mayor and its official seal to be affixed hereunder and attested by its City Clerk, and the Reading Area Water Authority has caused this Agreement to be executed in its name and on its behalf by its Chairperson or Vice Chairperson and its corporate seal to be affixed hereto and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

City of Reading

Reading Area Water Authority

By: _____
Mayor

By: _____
Chairperson

Attest: _____
City Clerk

Attest: _____
Secretary

BILL NO. ____2012

**AN ORDINANCE OF THE CITY OF READING TO IMPLEMENT A
BUSINESS TAX AMNESTY PROGRAM BETWEEN JUNE 17 AND
AUGUST 18, 2012 WHICH FORGIVES TAXPAYERS WHO PAY CERTAIN
PAST DUE PER CAPITA TAXES AND BUSINESS PRIVILEGE TAXES FROM
LIABILITY FOR REMAINING PAST DUE BUSINESS TAXES, INTEREST,
AND CIVIL AND CRIMINAL PENALTIES**

WHEREAS, the Council of the City of Reading believes that a Per Capita and Business Privilege Tax Amnesty Program will promote increased voluntary compliance by allowing taxpayers who pay certain Per Capita Taxes and Business Privilege Taxes owed to be free from liability as well as penalties and interest for prior noncompliance; and

WHEREAS, increased voluntary compliance with the Per Capita and Business Privilege Tax Ordinance will increase the City's tax revenues and reduce the City's collection costs; and

WHEREAS, it is the intent of Council to exempt taxpayers who fully pay certain past due Business Privilege Taxes from liability for any remaining past due penalties, interest, civil and criminal penalties otherwise imposed pursuant to the City of Reading Codified Ordinances Chapter 24 Special Taxation Parts 1 and 5.

NOW THEREFORE, BE IT ORDAINED by the Council of the City of Reading that:

SECTION 1. The City of Reading Citizens Service Center shall administer an *Amnesty Program for Per Capita and Business Privilege Taxes having undeclared liabilities owed* pursuant to Chapter 24 Special Taxation Parts 1 and 5 of the City of Reading Codified Ordinances. The Program shall be conducted during the period of June 18, 2012, through August 17, 2012, inclusive. ~~The Per Capita and Business Privilege Tax Amnesty Program shall not be eligible to citizens who are currently in collection or foreclosure for any municipal tax, fee, fine or utility payment or to any citizen who currently owns a property with delinquent property taxes. This Amnesty Program shall not be applied to any existing payment plan.~~

SECTION 2. The Per Capita and/or Business Privilege Tax Amnesty Program shall be administered as follows:

A. Request for Per Capita and Business Privilege Tax Amnesty

In order to participate in the Program, the taxpayer shall make a Request for Per Capita and/or Business Privilege Tax Amnesty with the Citizens Service Center Manager in person, by mail or by telephone on any business day from June 17, 2012 through August 18, 2012, inclusive. *The Citizens Service Manager shall determine if the submission of an application form is also required.*

1. If the Request for Per Capita and Business Privilege Tax Amnesty is submitted to the City by mail:

- a. The Request must be ~~notarized and~~ postmarked by the United States Postal Service no later than August 18, 2012 to be accepted.
- b. The Request shall include information necessary to enable the calculation of the Per Capita Tax and Business Privilege Tax due for the portion of the Amnesty Period for which the taxpayer failed to fully pay.
- c. The required Business Privilege Tax Amnesty Payment, or the initial installment as set forth below, shall be included with the Request for Business Privilege Tax Amnesty.
- d. Payment shall be made by check or money order.

2. If a Request for Per Capita and Business Privilege Tax Amnesty is submitted to the City in person:

- a. The Request must be made at the Citizens Service Center, located on the First Floor of City Hall, 815 Washington Street, Reading PA, or as otherwise directed by the Citizens Service Manager, no later than the close of business on August 18, 2012 to be accepted.
- b. The Request shall include valid personal identification information necessary to enable the calculation of the Per Capita Tax and Business Privilege Tax due for the portion of the Amnesty Period for which the taxpayer failed to fully pay.
- c. The required Per Capita and/or Business Privilege Tax Amnesty Payment, or the initial installment as set forth *in Section B* below, shall be included with the Request for Per Capita and/or Business Privilege Tax Amnesty.
- d. Payment shall be made by cash, check, or money order.

~~3. If a Request for Business Privilege Tax Amnesty is submitted to the City by phone:~~

- ~~a. A taxpayer may request Amnesty by telephone by calling the number designated by the Citizens Service Center during normal business hours while the Amnesty Program is in effect, but no later than the close of business on August 18, 2012. The taxpayer must speak to an Amnesty Program employee to request the Amnesty and provide payment information.~~

~~b. At the time the Request is made, the taxpayer shall provide information necessary to enable the calculation of the Per Capita Tax and Business Tax due for the portion of the Amnesty Period for which the taxpayer failed to fully pay.~~
~~c. The taxpayer must remit the amount specified by the Citizens Service Center on or before August 18, 2012 by cash, check or money order by first class mail~~

B. Per Capita Tax and Business Privilege Tax Amnesty Payment

1. The required Per Capita Tax and/or Business Privilege Tax Amnesty Payment is the total amount of unpaid Per Capita Tax and/or Business Privilege Tax which first became due during the Amnesty Period, not including any penalties or interest.
2. An Installment Payment Plan may be requested and approved by the Citizens Service Manager as follows:

Amount Due	Amount Down	Number of Payments
1. \$0-\$250	Total amount Due	0
2. \$251-\$500	\$250	2
3. \$501 and above	\$250	4

C. Failure to Pay Installments

1. Failure of the taxpayer to fully pay any installment when due shall disqualify the taxpayer from receiving the forgiveness of any remaining past due Per Capita and/or Business Privilege Tax, interest, civil penalty, or criminal action applicable under this Ordinance and the total unpaid amount of Per Capita and/or Business Privilege Tax, penalties and interest shall become immediately due and payable. "Failure of the taxpayer to fully pay any Installment when due" means a failure of the taxpayer to tender payment for the entire amount owing by the applicable due date, or, if tender has been made, a failure of the City to receive full value for the tender by the due date because of a dishonored check or other reason.
2. In the event of a taxpayer's failure to fully pay any installment when due, penalties and interest shall be calculated under the provisions of Chapter 24 Special Taxation Parts 1 and 5 of the City of Reading Codified Ordinances without regard to the provisions of this Ordinance.

SECTION 3. Any taxpayer who pays in full all sums due in accordance with the Program shall be entitled to the following benefits:

- A. The City shall waive all remaining past due Per Capita and/or Business Privilege Tax which first became due before the beginning of the Amnesty Period, and interest and civil penalties imposed under Chapter 24 Special Taxation Parts 1 and 5, where such amounts are owed due to the nonreporting or underreporting of tax liabilities or the failure to pay Per Capita and/or Business Privilege Tax previously due.
- B. The City shall bring no criminal action against the taxpayer, based upon the nonreporting or underreporting of tax liability or the nonpayment of Per Capita and/or Business Privilege Tax previously due.

SECTION 4.

- A. No refund or credit shall be granted for any amount of interest or penalty paid prior to the time the taxpayer makes a request for Per Capita and/or Business Privilege Tax Amnesty pursuant to this Ordinance.
- B. Any taxpayer against whom a civil or criminal action for Per Capita and/or Business Privilege Tax liability was commenced as per Chapter 24 Special Taxation of the City of Reading Codified Ordinances shall not be eligible for the Program.
- C. The Citizens Service Center Manager shall publicize the Program, be authorized to issue forms and instructions, and take other actions necessary to implement this Ordinance.
- D. If the taxpayer disagrees with the calculation of the amount of Per Capita and/or Business Privilege Tax due to the City, PA Act 50 of 1998, the Local Taxpayers Bill of Rights, provides an appeal process. If the tax payer chooses to appeal, he may file a petition with the Citizens Service Center Manager. The petition must be in writing stating the facts of the issue and the position on the results of the calculation or assessment . The petition must be by certified mail and postmarked on or before ninety (90) days from the day the amount due was provided. A decision on the petition shall be issued in writing within sixty (60) days of the date a complete and accurate petition is received. If the Citizens Service Center does not reply in a timely manner, you may consider your petition approved. If you disagree with the decision, you may appeal to the Berks County Court of Common Pleas.*
- ~~D. Any taxpayer who contests the Citizens Service Manager's calculation of the amount due under the Amnesty Program may request a hearing pursuant to Section 4.76.870 of Chapter 4.76 of Title 4 of the San Jose Municipal Code. For the purposes of that hearing, the Director's determination of the amount due shall be deemed to be an "assessment"~~

~~within the meaning of Sections 4.76.860 and 4.76.870. The hearing shall be requested within ten (10) days following service of the assessment under Section 4.76.870. If no service is made within the meaning of Sections 4.76.860 and 4.76.870, the request for hearing shall be made no later than October 27, 2006.~~

SECTION 5: All relevant ordinances, regulations and policies of the City of Reading, Pennsylvania not amended per the attached shall remain in full force and effect.

SECTION 6: If any section, subsection, sentence or clause of this ordinance is held, for any reason, to be invalid, such decision shall not affect the validity of the remaining portions of the Ordinance.

SECTION 7: This Ordinance, advertised in the May 21, 2012 Reading Eagle, shall become effective in ten (10) days, in accordance with Charter Section 219.

Enacted by Council or _____2012

Francis G. Acosta, President of Council

Linda A. Kelleher CMC, City Clerk

Taken to the Mayor's Office by _____ on _____

Received by the Mayor's Office by _____ on _____

Approved by the Mayor _____ on _____

Vetoed by the Mayor _____ on _____